




THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: March 15, 2011

TO: The Committee on Rules, Open Government and Intergovernmental Relations

FROM: Gail R. Granewich, City Treasurer 

SUBJECT: City of San Diego Funds Commission

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The City of San Diego Funds Commission will be presenting an update to the Rules Committee on March 23, 2011, pursuant to Council Policy No. 000-26, which establishes a procedure for the Funds Commission to make semi-annual reports to the Rules Committee concerning funds being supervised.

At the Rules Committee, the Funds Commission Chair, David Walters, the investment consultant, Michael S. Laven of Canterbury Consulting, and I will be providing an overview of the Funds Commission and discussing the performance of the investment funds. The following information provides background on the Funds Commission and the trust funds under its care.

**BACKGROUND**

The City of San Diego Funds Commission was established by City Charter §41(a), providing that this independent body would have supervision and control over all permanent trust, perpetuity and investment funds placed in its custody. The Funds Commission consists of a five (5) member board, including one bank official, two unclassified citizens and the City Attorney and City Treasurer, ex officio. The members are volunteers and serve a four (4) year term or until their successors are selected. The outside experts currently serving on the Funds Commission are:

**David Walters**, Senior Vice President, Bank of Southern California  
**Geri LaChance**, EVP, Chief Operating Officer, North Island Credit Union  
**David S. Tam**, Financial Advisor, Edward Jones

There are six (6) trust funds administered by the Funds Commission, with market valuations as of January 31, 2011, as follows:

• Mt. Hope Cemetery Perpetuity Fund	\$9,747,542
• Edwin A. Benjamin Memorial Fund	960,269
• Effie E. Sergeant Memorial Fund	486,034
• Gladys Edna Peters Memorial Fund	350,717
• Jane Cameron La Jolla Library Fund	3,144,630
• Los Penasquitos Canyon Preserve Fund	<u>2,727,617</u>

Total: \$17,416,809

The Mt. Hope Cemetery Perpetuity Fund is governed by City Charter §55 for the preservation of all public burial grounds and cemeteries belonging to the City. At least twenty (20%) percent of the net proceeds from the sale of all cemetery lots is required to be deposited into the fund. The City Charter further requires that the fund be administered by the Funds Commission and invested in income producing securities. The corpus of the Mt. Hope Cemetery Perpetuity Fund cannot be used for the maintenance or upkeep of the cemetery. All income derived from the investment of the funds, as well as the income from lot sales not placed in the fund, must be used in the maintenance and upkeep of the cemetery and the perpetual care and upkeep of all graves and lots. If income does not meet expenses, the Council must annually appropriate revenues to enable the City to provide perpetual care and upkeep of the cemetery.

Historically, investment income from the Mt. Hope Cemetery Perpetuity Fund, along with the portion of grave sales not deposited back into the corpus, have not been sufficient to cover the costs of operation at Mt. Hope Cemetery. This is primarily due to the City Charter restriction requiring that all investment securities pay dividends. If, however, income exceeds expenses in any given year, the Council may use those monies for any municipal purpose.

The four memorial funds, Edwin A. Benjamin (1964), Effie M. Sergeant (1994), Gladys Edna Peters (1997) and Jane Cameron (2009), represent bequests made to the City for specific library purposes. The Los Penasquitos Canyon Preserve Fund (1996) resulted from a land exchange and was transferred to the Funds Commission for the specific purpose of maintenance and enhancement of the preserve in perpetuity.

The Mt. Hope Cemetery Perpetuity Fund is managed by Northern Trust and the other five funds are in the custody of U.S. Trust/Bank of America. All funds are guided by individual investment policies and have diversified portfolios in a variety of asset classes in accordance with the guidelines established for those funds with various asset managers and under the supervision of the City's existing investment advisory consultant, Canterbury Consulting.

The City of San Diego Funds Commission meets quarterly, or more frequently as the need arises. The investment consultant provides an extensive quarterly investment report, discusses the business and economic outlook and reviews the performance and asset allocation of each of the trust funds. Funds Commission meetings are public meetings and are conducted pursuant to Ralph M. Brown Act requirements.